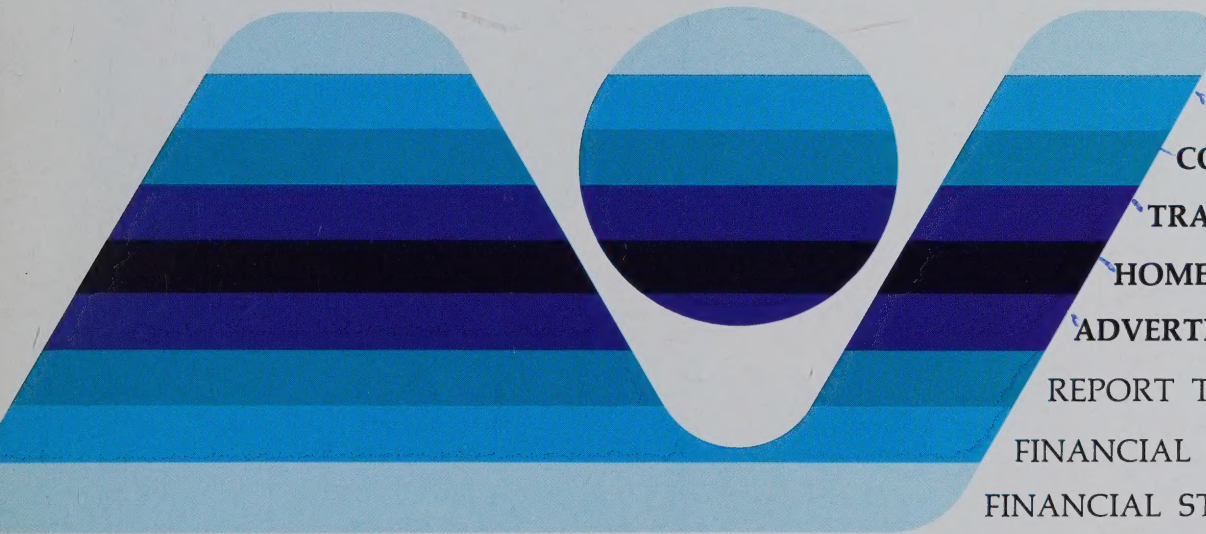


NEOREX
INTERNATIONAL
1968
ANNUAL
REPORT

COMPARATIVE HIGHLIGHTS

	Dec. 31, 1968	Previously Reported April 30, 1968		Adjusted for Poolings Dec. 31, 1967	
			% Change		% Change
Sales and Revenue	\$126,151,000	\$53,447,000	+ 136	\$107,127,000	+ 18
Earnings before income taxes and after minority interest	7,312,000	2,552,000	+ 187	5,625,000	+ 30
Earnings before extraordinary credits	3,582,000	1,263,000	+ 184	2,825,000	+ 27
Net Earnings	3,582,000	1,263,000	+ 184	3,001,000	+ 19
- Per Share	60c	36c	+ 67	50c	+ 20
Cash Flow	5,380,000	1,842,000	+ 192	4,674,000	+ 15
- Per Share	90c	53c	+ 70	79c	+ 14
Total Assets	56,565,000	21,012,000	+ 169	49,050,000	+ 15
Long-Term Debt	8,556,000	4,076,000	+ 110	9,655,000	- 11
Shareholders' Equity	21,343,000	9,953,000	+ 115	18,103,000	+ 18
- Per Share	3.56	2.83	+ 26	3.03	+ 17
Employees	3,131	1,471	+ 113		

Per Share data are based on the average number of shares outstanding during each year, adjusted retroactively for the two-for-one stock split approved by the shareholders in March, 1969.



MARKETS

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Our environment for growth is the consumer, wherever he may be, taking into account the vast diversity of his needs now and in the future. Included in this sphere are the many people now numbered among the Neonex companies.

Whether as consumers or as employees in our chosen environment for growth, people will always be our most important potential and our greatest asset.

Present accomplishments and those we have projected on an expanding and accelerating scale are predicated on this one principle.

REPORT TO SHAREHOLDERS

RAPPORT AUX ACTIONNAIRES



Your directors are pleased to present the Annual Report on the operations and financial position of your Company for the fiscal year ended December 31, 1968.

Earnings increased by 27% to \$3,582,000 while sales and revenues increased by 18% to \$126,000,000. These comparisons are reported on a pooling-of-interests basis; earnings are after tax and before extraordinary credits. Reflecting our recently approved two-for-one stock split, the above earnings are equivalent to 60c per share in 1968 compared with 47c the previous year.

In January, 1969, arrangements were completed for major financing. This included U.S. \$15,000,000 in Senior Convertible Subordinated Notes with the Morgan Guaranty Trust Company of New York — as Trustee of a Commingled Pension Trust, and a revolving loan of \$20,000,000 with a major Canadian Bank. These funds will enable your Company to continue its program of expansion and development.

As part of our planned expansion into further areas of consumer requirements, your Company entered the following markets in 1968: Leisure Time, Consumer Goods and Transportation Services. (All Neonex markets and companies are described on pages 10 to 35.) Your Company recently acquired Provincial News, one of Canada's largest wholesale publication distributors, and has signed preliminary agreements with two companies in the mobile home field and one in the field of transportation. It continues to be our plan to further our investments in the major growth markets of consumer-related services.

Our environment for growth is all of Canada and the people who live within its geographical boundaries. It is important for our shareholders to understand Canada's need to tie together its vast geographical areas with the growth of the major population centers. The key link in this case is transportation services. Upon establishing these vital transportation links across the country, your Company will integrate further into manufacturing, to support our established markets and services.

Neonex has strengthened its senior corporate management group in the areas of operations, finance and accounting. We have been successful in attracting the right people with broad experience for these responsible positions. They include: Mr. Ross J. Turner as Executive Vice-President Operations; Mr. Griffith M. Marshall as Vice-President Finance and Administration; and Mr. Guy J. Lewall, as Vice-President and Secretary-Treasurer.

Les membres de votre Conseil d'Administration ont l'honneur de vous présenter le Rapport Annuel des opérations et le bilan de la compagnie pour l'année fiscale se terminant le 31 décembre 1968.

Les bénéfices annuels ont augmentés de 27% atteignant \$3,582,000; les ventes et les revenus ont augmentés de 18% atteignant \$126,000,000. Ces comparaisons sont basées sur la mise en commun des intérêts; les bénéfices sont calculés après les taxes et avant des crédits exceptionnels. En vue du récent fractionnement de nos actions 2 pour 1, les gains ci-haut mentionnés équivalent à 60c par action en 1968 comparé à 47c l'année précédente.

En janvier 1969, des mesures de financement majeur furent complétées. Ceci incluait \$15,000,000 E. U. en bonds convertibles (Senior Convertible Subordinated Notes) avec le "Morgan Guaranty Trust Company of New York" — en tant que dépositaire d'un Fond de Pension Combiné — et un prêt renouvelable de \$20,000,000 d'une des principales banques canadiennes. Ces fonds permettront à la compagnie de poursuivre son programme d'expansion et de développement.

Selon le plan d'expansion dans d'autres domaines de biens de consommation, votre compagnie a pénétré dans les marchés suivants: temps libre, produits de consommation et services de transport. Votre compagnie a récemment acquis "Provincial News", une des plus importantes compagnies distributrices en gros de publications, et elle a signé des accords préliminaires avec deux compagnies de maisons mobiles.

Notre milieu de développement est le Canada tout entier et les personnes qui vivent à l'intérieur de ses frontières. Il est important que nos actionnaires comprennent le besoin pour le Canada de relier ses vastes territoires aux principaux centres de croissance démographique. Le maillon de la chaîne est un service de transport. Une fois que ce système de transport d'une importance capitale aura couvert le pays, votre compagnie s'intégrera davantage dans la fabrication afin d'appuyer nos marchés et services établis.

Neonex a renforcé son groupe d'administrateurs seniors dans les domaines des opérations, de la finance et de la comptabilité. Nous avons réussi à attirer les personnes les plus compétentes pour ces postes de responsabilité. Parmi elles, il y a M. Ross J. Turner, vice-Président Exécutif des Opérations; M. Griffith M. Marshall, Vice-Président — Finance et Administration; et M. Guy J. Lewall, Vice-Président et Secrétaire Trésorier.

Votre compagnie poursuivra son programme prévu d'expansion avec d'autres compagnies canadiennes, dans des services connexes à la consommation. Nos objectifs sont les suivants:

- Développer une compagnie canadienne importante et diversifiée avec une administration dynamique, opérant dans des marchés orientés vers la consommation.

Your Company will continue with its planned program of expansion with other Canadian consumer-related companies.

Our objectives are as follows:

- To build a large, diversified Canadian growth company with aggressive management, operating in consumer-oriented markets.
- To support and encourage strong internal expansion of existing businesses.
- To continue our external acquisition program of seeking out well-managed, successful Canadian companies operating in markets, industries and regions of the country, with above-average profit opportunities . . . and compatible with our consumer-oriented objectives.
- To achieve both vertical and horizontal integration so these companies may have the opportunity to profit and expand by their association with others of the Neonex Group.

We look forward to a strong Canadian growth climate.

Canada's natural resources, in great demand by other nations of the world, continue to be a major factor in the economic strength of the country. Canada's exports are making excellent gains. 1969 trade predictions are for the country's biggest surplus in almost a quarter century, over a billion dollars. The Canadian dollar is strong, capital spending is increasing and many industries have forecast a record year. These conditions and others provide a climate for better sales, better earnings and greater growth.

Your Company has entered 1969 confident in the belief that people and ideas are as important as size and financial resources in achieving success. We are confident that in this Canadian growth market there is plenty of room to achieve all the success that determination and carefully concentrated effort can grasp.

Based on our record to date, our forecasts, and objectives the future growth of your Company looks most favorable.

On behalf of the directors and management of your Company, I wish to express our appreciation to the more than 3000 employees of Neonex International for their continued support of the Company, and to all shareholders for their belief in our environment for growth.

Respectfully submitted on behalf of the Board of Directors,

JAMES A. PATTISON,
President and
Chief Executive Officer.
March 31, 1969.

- Aider et encourager une forte expansion intrinsèque des affaires présentes.
- Continuer notre programme de recherche pour l'acquisition de compagnies canadiennes qui opèrent avec succès sur des marchés, dans des industries et des régions du pays lesquelles indiquent des opportunités de profit au-dessus de la moyenne et qui sont compatibles avec nos objectifs de consommation.
- Achever une intégration à la fois verticale et horizontale afin que ces compagnies aient l'opportunité de profiter et de se développer grâce à leur association avec d'autres compagnies du groupe Neonex.

Nous nous attendons à un excellent climat d'expansion au Canada. Les ressources naturelles du Canada sont en forte demande dans les autres pays du monde et continuent d'être le facteur primordial de la force économique du pays. Les exportations canadiennes gagnent du terrain. On prévoit que la balance du commerce en 1969 atteindra le surplus le plus élevé en plus d'un quart de siècle, soit plus d'un milliard de dollars. Le dollar canadien est fort, les dépenses capitales augmentent et de nombreuses industries prédisent une année record. Ces conditions et d'autres offrent un climat propice aux ventes, aux gains et au développement.

Votre compagnie a entamé l'année 1969 avec la certitude que les Gens et les Idées sont aussi importants que le calibre et les ressources financières pour atteindre le plein succès. Nous sommes convaincus que dans ce marché canadien en pleine croissance, il existe bien des possibilités pour atteindre le succès que seuls les efforts soigneusement concentrés et la détermination peuvent saisir.

En nous basant sur notre performance jusqu'à ce jour, sur nos prédictions et nos objectifs les possibilités de développement pour votre compagnie dans le futur, semblent des plus favorables.

De la part des administrateurs et de l'administration de votre compagnie, j'aimerais exprimer notre appréciation aux plus des 3,000 employés de Neonex International pour leur support continu, ainsi qu'à tous les actionnaires pour leur confiance en notre milieu de développement.

Respectueusement soumis pour le Conseil d'Administration.

JAMES A. PATTISON
Président et Président
du Comité Exécutif
le 31 mars 1969

SALES AND REVENUE By Division (in millions of dollars)

	1968		1967		1966	
	\$	%	\$	%	\$	%
Leisure Time	3.6	3	1.9	2	.8	1
Consumer Goods	68.6	54	57.9	54	51.4	57
Transportation Services	12.8	10	12.2	12	12.1	13
Home Improvements	31.2	25	26.1	24	17.6	19
Advertising and Graphics	10.0	8	9.0	8	8.7	10
Total	126.2	100	107.1	100	90.6	100
Compound Annual Increase	18%		18%		35%	

EARNINGS CONTRIBUTION By Division (in thousands of dollars)

(Before minority interest, extraordinary credits & executive office expenses)

	1968		1967		1966	
	\$	%	\$	%	\$	%
Leisure Time	292	8	86	3	39	1
Consumer Goods	1,524	41	1,304	44	1,162	43
Transportation Services	612	16	455	16	557	20
Home Improvements	739	20	550	19	464	17
Advertising and Graphics	585	15	538	18	507	19
Total	3,752	100	2,933	100	2,729	100
Compound Annual Increase	28%		7%		42%	

The above tables present the results of operations of all pooled subsidiaries for the past three years.

FINANCIAL REPORT

The Company has experienced dramatic growth during 1968, both through internal development and through the acquisition of companies serving consumer-oriented markets. We believe that continuity in ownership and management will be a key factor in maintaining continued profitability of companies acquired.

Negotiations between your Company and those acquired have convinced both sides of the benefits to be realized from a pooling of resources and a continuation of the integrated businesses on a joint basis. The companies were acquired through an exchange of shares, with the previous owners retaining a substantial investment in your Company; valuable additions were made to our expanding management team. With one exception, all of the year's acquisitions have been accounted for as poolings of interests.

Name Change and Stock Split

In March, 1969, the shareholders approved a change of name, an increase in authorized capital to 14 million shares of no par value and a two-for-one stock split. While these changes took place subsequent to the year end, we have given effect to them in the financial statements and in the related statistics and charts throughout this report. We felt that this would help our shareholders in relating future earnings figures with those reported in this year's annual report.

Highlights

The highlights which follow and the related charts compare the calendar year 1968 with data previously reported to shareholders. The comparison reflects the change arising both from internal growth and from acquisitions.

- * Sales and revenue exceeded \$126 million in 1968 compared with \$53 million for the year last reported.

- * Net earnings increased from \$1,263,000 to \$3,582,000.
- * Earnings per share were 60 cents in 1968, up 67% over the previous 36 cents.
- * Companies acquired during 1968 no longer enjoyed the low rate of tax applicable to non-associated companies. This factor, together with a surcharge imposed during the year, resulted in a tax provision and reduction in net earnings of some \$190,000 more than would have been payable if the 1967 rates had applied.
- * Total assets now exceed \$56 million, up from \$21 million last reported.
- * The return on shareholders' equity was 18 per cent during the year compared with the previous 13 per cent.
- * Long-term debt increased from \$4 million to \$8½ million at the year-end. Debt, expressed as a percentage of debt plus equity, fell slightly during the year to 29 per cent.
- * Working capital of the Company exceeded \$10 million at year-end up from the previous \$5 million. The current ratio is 1.4 compared with 2.0 last reported.
- * Subsequent to the year-end, the Company obtained U.S. \$15 million in new long term financing through the issue of 5¾% Convertible Senior Subordinated Notes to Morgan Guaranty Trust Company of New York, as Trustee of a Commingled Pension Trust. The proceeds were used to retire approximately \$4.3 million of long term debt, to liquidate short-term bank loans and to augment working capital to provide for expansion and development of the Company.
- * In January, 1969, the Company completed arrangements for a \$20 million revolving line of credit with a major Canadian chartered bank. This made a significant contribution to the Company's financial strength which will enable Neonex to capitalize on opportunities which arise during a period of tightening money supply.

Divisional Results

We appreciate the continuing trend toward providing supplementary financial information which will assist shareholders and others in understanding the operating results of diversified companies. We have presented on pages 10 to 35 a pictorial and word picture of the major areas of present activity. The analysis of both sales and revenue and of earnings contributions by division for the past three years appears on page five. This data will be helpful in evaluating recent internal growth of present divisions and in projecting the future potential of the Company.

- * The internal growth of the present group of companies during 1968 was 18 per cent in respect of sales and 20 per cent in respect of earnings per share.
- * The Consumer Goods division showed continued growth in both sales and earnings. Branch warehouses were opened by A.N.C. in Victoria and

Saskatoon during 1968, and heavy related expenditures resulted in reduced earnings growth.

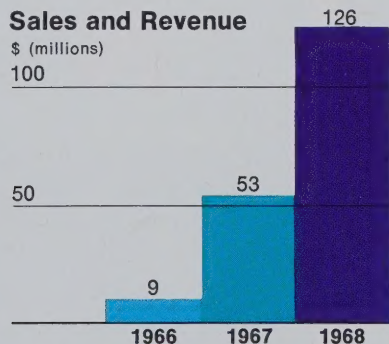
- * The Transportation Services division achieved modest revenue growth in 1968, but realized a substantial profit increase.
- * The Home Improvements division realized an earnings growth in excess of 34 per cent on a sales increase of some 19 per cent.
- * The Advertising and Graphics division continued its trend of cumulative sales growth, with a proportionate increase in earnings.

Financial Statements

The financial statements of the Company and the Auditor's report appear on pages 36 to 44.

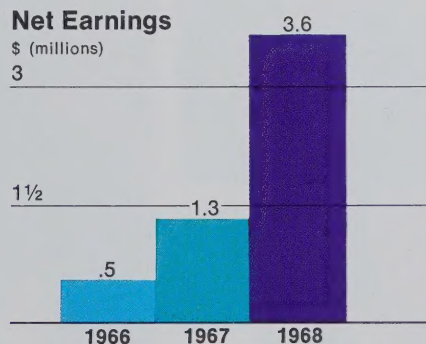
Sales and Revenue

\$ (millions)
100



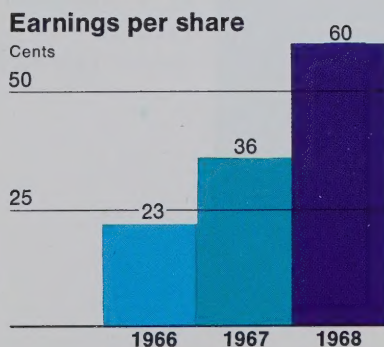
Net Earnings

\$ (millions)
3



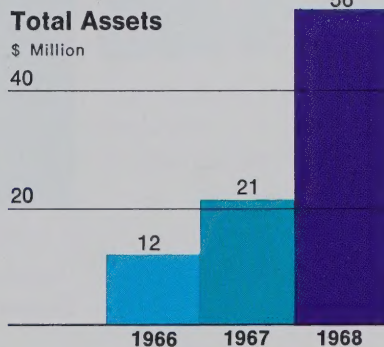
Earnings per share

Cents
50



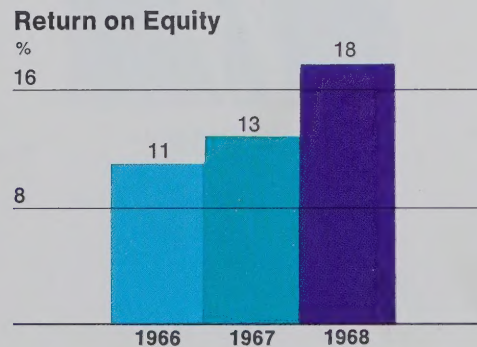
Total Assets

\$ Million
40



Return on Equity

%
16





WESLEY VAN DUSEN
Chairman of the Board
ANC Group of Companies



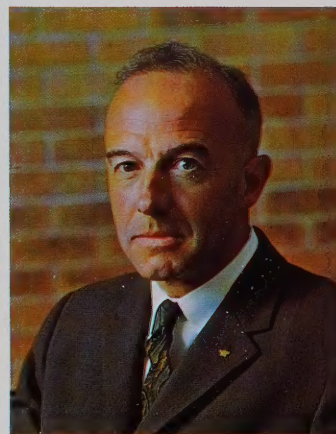
FRANK F. REIMER
Chairman of the Board
Reimer Express Lines Ltd.



F. LEONARD HARDY
President
ANC Group of Companies



W. N. McCARTNEY
President
Travelaire Trailer Mfg. Ltd.



C. STUART MITTON
President
Overwaita Limited



D. S. REIMER
President
Reimer Express Lines Ltd.

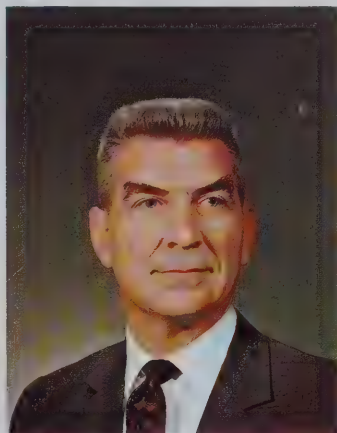


**"Strong, successful management
falls within the perimeter of
our chosen environment for growth."**

R. GUY GODBOUT
President Imbrex Limited
and Universport Inc.



THOMAS P. FOX
Chairman of the Board
Associated Helicopters Ltd.



S. REX KAUFMAN
President
Associated Helicopters Ltd.



ARTHUR H. LAING
President
Northern Paint Company Limited



STANLEY F. WHITTLE
President
Neon Products Ltd.

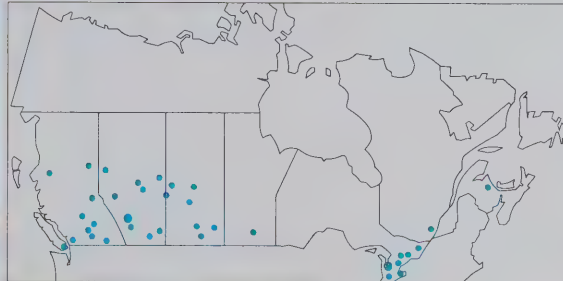


LEISURE TIME



The latest assembly-line techniques are employed at Travelaire for a top quality product built at the lowest cost possible.

Exterior of the main Travelaire plant — Red Deer, Alberta.



Travelaire Sales and Manufacturing Locations.



Interior of the luxury Travelaire Lo-Jolla model.

LEISURE TIME

Travelaire Trailer Mfg. Ltd.

Neonex has entered the leisure time market for excellent reasons. While it has been known for some years that leisure time activities were bound to expand in North America, it wasn't until 1962, when governmental studies were completed, that the full extent of the leisure time movement was made known.

During the past seven years this market has increased by 1000%. People travelling across Canada are moving in dramatically increasing numbers because of population expansion, increased mobility of the populace, the increase of leisure time and the greater awareness of the many ways in which leisure time can be enjoyed.

Your Company's interests in the leisure time market are now being served by Travelaire Trailer Mfg. Ltd. and Universport Inc.

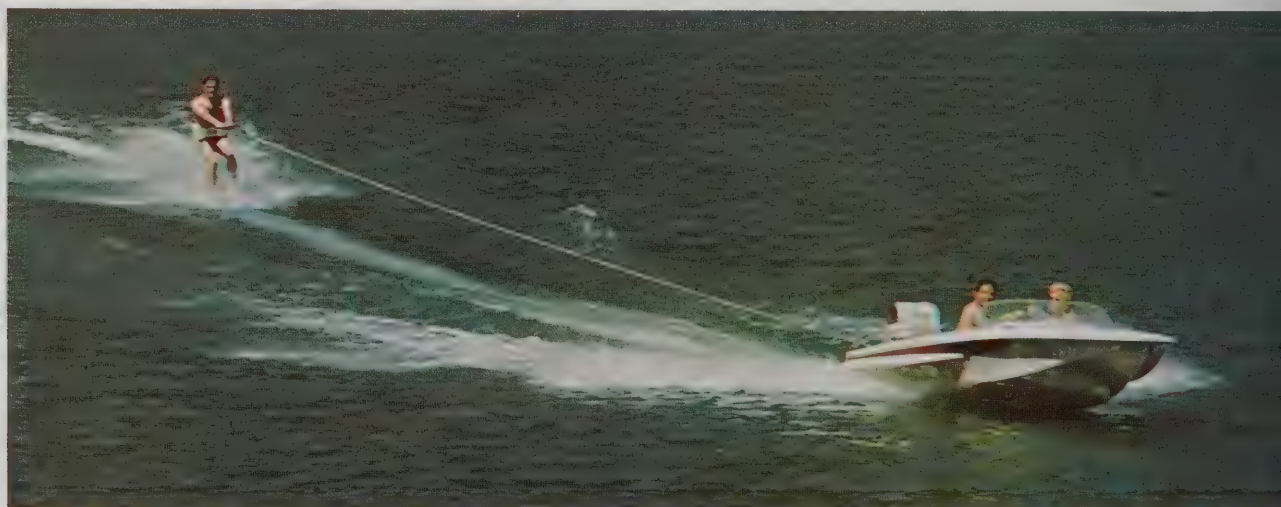


Travelaire, an Alberta-based company, manufactures, distributes and sells holiday trailers and truck campers to a network of trailer dealers from coast-to-coast. Its sales volume has grown from 85 units in 1963 to an anticipated 2,500 units for 1969, representing 20% of the market.

Travelaire's modern production lines are located in two factories totalling 50,000 square feet — one in Red Deer, Alberta, and the other in Woodstock, Ontario. These highly automated plants turn out a complete product line, from a moderately priced 14' family trailer to a 21' luxury unit.

The company, headquartered in Red Deer, has a network of independent retail dealers located in almost every major center across the country. Despite the fact that the company has progressively nearly doubled its output since 1963, demand for its product has always exceeded the supply.

Travelaire Truck Campers help make it possible for thousands to enjoy the nation's recreational resources.



Travelaire's objective will be to keep pace with the dramatic increase of leisure time interests. The growing recognition of trailers and campers as one of the most comfortable and versatile forms of accommodation opens the way for future company growth and expansion.

Neonex through Travelaire and Universport is involved in one of North America's fastest growing markets . . . outdoor recreation.



Universport will distribute through Neonex warehouse facilities located across Canada.



LEISURE TIME

Universport Inc.

The decision to acquire Universport Inc. was based on the widespread enjoyment of leisure time, the greater spending power enjoyed by the Canadian people, and the growing enthusiasm for a wide range of outdoor activities.

Universport has been operating primarily as a sports equipment distributor, having established excellent connections with major sports and camping equipment manufacturers in Europe. Indicative of the quality of equipment distributed exclusively by Universport are such manufacturers' names as Andre Jamet, Racelet, Centrale Francaise Sport, Kettler & Laplaud.

Neonex is presently expanding Universport distribution areas beyond Quebec and Ontario, utilizing available facilities in the Neonex warehouse locations across Canada. This enables the best possible handling of inventory and the supply of sporting and camping equipment without delay. An increased sales force is being trained to meet the challenge of this expanding market.

Universport plans to establish distribution franchises for top lines in skis, ski boots and related accessories. Marketing of these winter recreation items will allow Universport to merchandise to leisure time consumers throughout the four seasons.

Universport has exclusive distribution rights for a wide range of camping and sporting equipment.

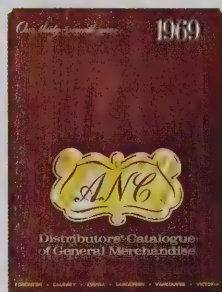


CONSUMER GOODS





Over 400,000 copies of ANC's 274 multi-colored page catalogue were printed and distributed in 1968.



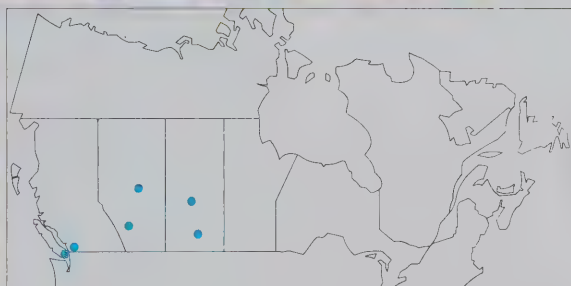
CONSUMER GOODS

The ANC Group

Your Company has moved into another strong growth market by acquiring the ANC Group of Companies, one of Canada's most diversified and fastest growing organizations engaged in the sale of consumer goods. In the past five years, ANC sales have increased by more than 300%.

One of the company's most important growth areas stems from its wholesale warehousing and distributor system of consumer merchandise. ANC operates from large warehouse complexes located in six major Canadian cities — Edmonton, Calgary, Regina, Saskatoon, Vancouver and Victoria. Expansion continues, as evidenced by the establishment of a new sales location in Winnipeg, scheduled to open in July, 1969.

ANC maintains a rigid "closed door" policy of wholesale merchandising and distributes brand-name and nationally advertised merchandise to dealers and organizations, as well as to their registered card holders. The company specializes in the fast turnover of merchandise, choosing items that are in greatest demand by the public. ANC warehouses at all times over 30,000 quality items which are available to the consumer for instant-purchase. Merchandise can also be ordered by telephone or mail order.



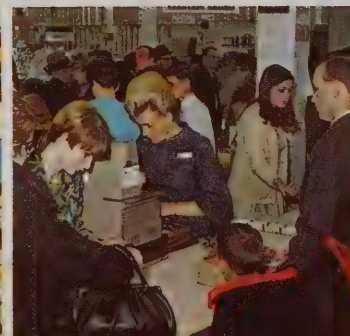
ANC operates out of Sales Warehouse Complexes in 6 major cities in Western Canada.

Hundreds of thousands of customers in these areas used their ANC membership card last year.





ANC customers
can choose from more than
30,000 consumer items.
ANC sales locations
in Western Canada.



The company specializes in mail order catalogue sales and was a major pioneer in this area. ANC created its own graphic arts and photographic department to specifically handle all phases of catalogue production and today can make claim to being one of the leaders in this field.

When ordering by mail or phone from any ANC catalogue, the customer sets into motion one of the most highly geared wholesale warehousing systems in Canada. Within a few short hours of the receipt of such an order, it is recorded and put on microfilm, the items selected, packed and shipped according to instructions.

To meet the ever-growing and changing requirements of the Canadian consumer market, large mail-order desks are maintained and constantly expanded in all ANC locations. These are staffed by specially trained personnel, noted for their fast and courteous service.

Merchandise is added to and replenished on a continuing basis with substantial quantities of quality consumer goods being imported from all points throughout the world through highly qualified and experienced buyers. Overseas and domestic buying methods are handled efficiently and with maximum speed through a Central Purchasing Division located in Edmonton.

During the past 37 years, a continuous educational program in buying, sales and customer relationships, has produced from ANC's own staff an important nucleus of young experienced personnel, fully competent to assume supervisory and managerial responsibilities as ANC warehouses continue to expand in the growing Canadian consumer goods market.





One of Overwaitea Limited's 50 stores located in British Columbia.



Overwaitea locations dominate Canada's fastest growing Province.

Another Prairie Market location under construction in Burnaby, B.C.



Overwaitea sources of food supply are international as well as local. The company's fleet of trucks runs 24 hours a day to keep fresh produce in supply.

CONSUMER GOODS

Overwaitea Limited

Overwaitea Limited is the largest food chain in British Columbia outside of Metro Vancouver, with 50 stores located strategically throughout the Province.

In 1968, the company realized the greatest sales record and profit in its 54 year history . . . up by 17%. A five year study of its sales and profits levels shows a rise well above that of the national food sales industry performance.

The company has always been an innovator in the marketing of food products. Typical of this was the introduction in 1967 of the first truly discount food market in British Columbia. Called the "Prairie Market" it offers discount supermarket pricing to the consumer. The concept has proven successful and Overwaitea has since begun construction of another Prairie Market. The 18,000 square foot structure will

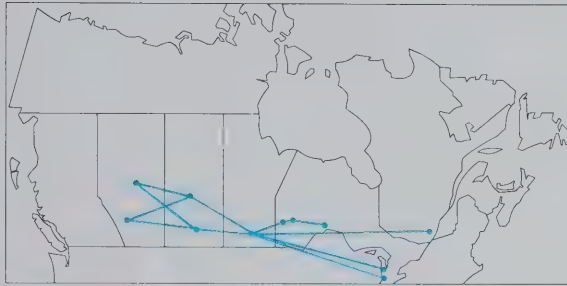
be located in South Burnaby, just three miles east of Vancouver. Two other similar sized Prairie Markets are planned for the Greater Vancouver area before the end of 1969.

1968 saw a year of new construction. Stores were built at Salmon Arm, Mission and Princeton. A 17,000 square foot Overwaitea Market has been completed at Prince George, replacing another company store in that city. The construction program continues in 1969 with the replacement of two older stores at Williams Lake and Nakusp. New markets from 8,000 to 10,000 square feet in size will be located in four of several locations owned by Overwaitea throughout the Province of B.C.

All this construction anticipates the predictable demand for food services throughout the country. The fact that British Columbia is Canada's fastest growing Province leads to the conclusion that Overwaitea can expect a continuing rise in sales growth, considerably above the national average.



TRANSPORTATION SERVICES



Reimer's 11 terminal facilities and transportation routes located in Canada's major cities.



Reimer Express Line drivers have earned the company one of the highest safe driving records in the industry.



A total of 67 vehicles can be loaded or unloaded simultaneously at Reimer's Winnipeg terminal.

TRANSPORTATION SERVICES

Reimer Express Lines Ltd.

The entry of Neonex into the transportation services field, through Reimer Express Lines Ltd., strengthens our environment for growth.

The business of transporting goods to the market place in Canada is a large one and is absolutely essential if the consumer is to be served reliably. With Canada's nearly 21,000,000 population spread out over a wide section of the country's geographic vastness, it has become all the more important to set up and maintain transportation systems which overcome efficiently the hurdle of distance on a year-round basis.

Reimer Express serves the area located between the St. Lawrence and the Rockies, with its largest volume of traffic moving between the metropolitan areas of Eastern Canada and the major cities in the Prairies.

Within the Prairie Provinces, Reimer is licensed to provide an extra-provincial service between all the main cities. By interchange of trailers or the interline of freight, the company is also in a position to serve customers located on the Pacific Coast and in the Maritimes.

The success of the operation to date is borne out by the fact that it has enjoyed a significant growth rate over the past 16 years, and presently owns and operates freight terminals in eleven major Canadian centres.

The Toronto and London terminals of the company serve not only the cities in which they are located but also provide a pickup and delivery service to approximately 40 centers in southwestern Ontario.

Reimer's head office was completed in 1968 and along with a freight terminal and truck maintenance centre, is located on a 35 acre site in Winnipeg. It is the largest single motor carrier terminal located anywhere in Canada west of Toronto, and is one of the most modern transport terminals in North America.



Trucks backed up to the loading dock in the Winnipeg Terminal are loaded rapidly by means of an automated towveyor system.

The Winnipeg terminal includes an automated towveyor which sorts freight by destination. Other interesting innovations include drop docks, and dock levellers which reduce freight loading costs and damage claims. An automatic scale built into the towveyor line allows freight to be weighed without the loading line being stopped. A total of 67 vehicles can be loaded or unloaded simultaneously at this terminal.

Reimer has its own IBM 360 computer installation used to provide rapid accounting, statistical and routing information. The company attributes a great deal of its success to extensive communication facilities. Reimer was the first motor carrier to use teletype to transmit freight bills between Eastern and Western Canada. Communications facilities between terminals today include — teletype and data speed equipment which allows for the transmission of messages and bills at a speed of 750 words per minute.

Motor transportation is a growth industry and your Company expects to continue to receive more than its share of this growth by providing Canadian industry with the kind of service it requires. In support of this attitude, construction commenced on a modern new Reimer terminal in Montreal on January 6, 1969. The structure is now in the advanced stage of construction. When finished, it will be capable of handling 15 million pounds of traffic per month, with a capacity for 18 loads simultaneously. The same techniques of automation and communication will be employed here as in the other Reimer terminals.



The automatic towveyor permits weighing without stopping the flow of freight.



The newest and most highly automated equipment in the industry.



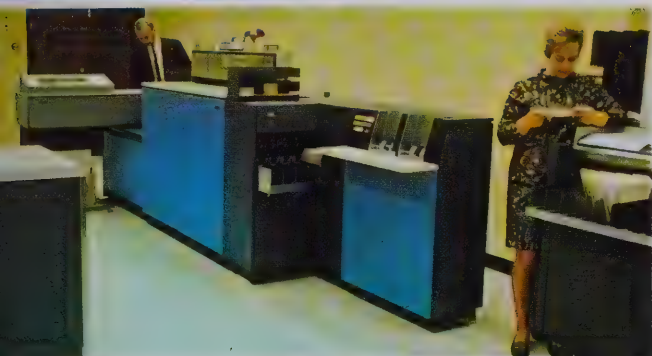
Reimer's fleet of trucks service over 20,000 shippers in Canada.



*Shown here
is the top management group of Reimer,
typical of the strong executive personnel
to be found in all Neonex companies.*



*Instant truck-terminal contact
is maintained by
Reimer's communication
control centre network,
which includes the latest
IBM computers, data speed
and teletype equipment.*









TRANSPORTATION SERVICES

Associated Helicopters Ltd.

In the field of transportation, possibly no Canadian market area is more dependent on effective and reliable transportation at the present time than is the Canadian Northwest and Arctic Regions. Recognizing this fact, Neonex has brought into its group of companies, Edmonton-based Associated Helicopters Ltd., one of Canada's largest helicopter firms, serving Alberta, British Columbia, Saskatchewan, the Yukon and Northwest Territories. The company is also licensed to operate charter flights in any other part of Canada.

Sources of business include both private industry and government assignments. Commercial contracts



Preparing footings and pouring a concrete base to receive a hydro transmission tower.



are taken on a broad base including the oil, mining, forest and construction (hydro and pipeline) industries. In this way 19 years of experience has been gained and maintained in all the industries shaping the opening of the North.

Twenty-four aircraft are in operation at present, including two large Bell 204-B turbine helicopters. These are used for the continuous moving of oil drilling rigs, transporting seismic camps, laying pipelines, hauling bulk fuel, setting hydroelectric transmission towers and laying cable where the ability to haul loads up to 4,000 pounds is an essential requirement.

Several experimental projects are expected to

come to a productive conclusion in 1969, necessitating the addition of a Bell 205, 15 passenger helicopter and possibly small jet helicopters. An increased emphasis is being placed on technical projects undertaken by Associated for various industries. One of the results of this program is the development of a new and proven positioning system for use by the surveying industry. This will be available later in 1969.

Training and re-training programs for both management and staff will continue throughout 1969, always with the view to adapting the company's total resources to the peculiar and challenging requirements of Canada's far North and Arctic regions.



Associated Helicopters designated flying points in Alberta, British Columbia, Saskatchewan and the Northwest Territories.

Transferring a drilling rig to an oil location.



Above, fighting a bush fire for a government forest service.

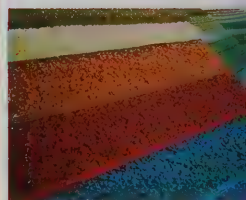
Charter flight bookings come from all sections of Canada.





HOME IMPROVEMENTS

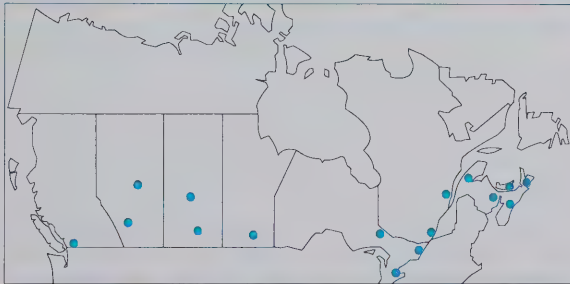
*Imbrex
spacious showrooms
across the country
provide sales
motivation for
wholesale prospects
such as Architects,
Hotel Developers
and Construction
Company buyers.*



The Imbrex head office located in Montreal.



All Imbrex warehouses stock a complete inventory of soft-surface, tufted and woven carpets for fast turnover.



The 16 Imbrex warehouse centers located from coast to coast.



HOME IMPROVEMENTS

Imbrex Limited

Another one of the great growth markets in Canada today is the home improvement field. The record demand for home accommodations has stimulated a rapid increase in new housing starts, the improvement and modernization of existing housing, construction of apartments, town house complexes, condominiums and mobile homes across the nation.

To strengthen its penetration of this lucrative consumer market, your Company has taken steps to build a major carpet manufacturing plant in Canada. Neonex has signed a preliminary agreement to enter into equal partnership with Bigelow-Sanford of New York, since 1825 one of the largest carpet manufacturers in the U.S. Carpet production of the plant will be marketed by Imbrex Limited, the largest and only national floor covering and carpet distributor in Canada.

Since its inception, Imbrex has had an excellent growth record, exceeding that of the floor covering industry. In 1968, sales and earnings continued to rise. A substantial portion of this increase is attributable to the growing acceptance of carpeting for every room in the house, around patios and other home outdoor applications, plus industrial utilization such as in offices, schools, and public buildings.



Imbrex distributes carpets and floor coverings for every room in the home, and for a wide range of business and industrial locations.



Imbrex, headquartered in Montreal, operates specially-designed, modern warehouses in all major cities across Canada, comprising a total of over one-quarter million square feet. Modern fully-integrated facilities, excellent service and strong management have been largely responsible for its success.

Imbrex warehouse facilities distribute for the major floor-covering suppliers in the industry, including: Armstrong-Cork, Building Products of Canada, Domco Industries Limited, General Felt Products, Tenex Corporation and Uniroyal 1966 Limited. Bigelow-Sanford will supply Imbrex with a complete line of carpets from their U.S. mills until the planned carpet manufacturing plant in Canada is completed.



*Vinylwood,
a new floor product exclusively
for resale by Imbrex,
recreates two traditional wood flooring
patterns, one of which is displayed here
(Rideau Hall in American Walnut).*

Industry forecasts through to 1972 anticipate a growth of 14% per year. Imbrex expects to exceed this industry growth through increased market penetration and the expansion of their home improvement products. Along with a new line of wall coverings imported exclusively for resale by Imbrex, is the development of a unique floor product using actual wood and recreating two traditional floor patterns which heretofore were unavailable to the mass consumer market because of price. The product called Vinylwood has been recently introduced by Imbrex.

Management is convinced that a portion of its future success lies in its ability to remain on top of the market with the latest in total home improvement merchandise.



*A great percentage of high-rise
apartments in Canada
are completed with wall-to-wall carpets*



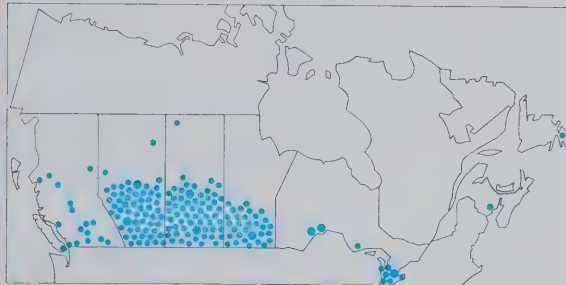
*The company produces a full line
of quality paints, including
both oil and latex . . .
for wholesale, retail
and industrial sales.*



New housing starts and house renovations lead to an increase in paint and wood finish sales.



The company's 12 exclusive distributor stores are located in Vancouver, Kelowna, Edmonton, Calgary, Saskatoon, Regina, Winnipeg, Fort William, Port Arthur and London, Ontario, plus 850 dealers across the country.



HOME IMPROVEMENTS

Northern Paint Company Limited



Sales staff in Northern Paint exclusive distributor stores, are continually kept up-to-date on the latest breakthroughs in paint merchandising through sales education programs.

Trade and industrial paint sales in Canada's home improvement market are expected to exceed \$200,000,000 in 1969. Northern Paint Company, in the past decade has been able to increase its penetration of the market, largely as a result of the continuing and broadly-based program of product research and improvement and the immediate installation of better production equipment and procedures whenever these become available.

Coupled with the applied program of technological and product improvement is a marketing and merchandising policy which relies for its success on continuous sales education programs within the company. Northern Paint salesmen, trained and retrained in sales and merchandising methods, work closely with a network of more than 850 dealers in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

In recent months a group of exclusive dealerships and paint sales centers has been set up in Eastern Canada, further extending sales outlets for Northern Paint's production. Prepasted and strippable wallpapers and vinyls have been added to the company's product line in recent months, with a degree of sales success which promises well for the future.

The company's production will continue to include industrial paints as well as a full line of quality paints including both oil and latex bases. The 44 year old Winnipeg-based company is the exclusive manufacturer of Tim-Ber-Lox wood finishes, highly regarded and used in large volume in the prairie provinces.

The Original Hershey Bar

More chocolate taste
in every bite.




The sound pickle.

Heinz.
The
crunchy
one.



**Seen what's
going around?**

Colour matched vinyl basin rims American-Standard.
Ask Your Local Plumbing Heating Contractor.



**Finest for your car
-We guarantee it!**



MACDONALD'S

EXPORT "A"

REGULAR AND KINGS

HAGGLUND SUPPLIES LTD. 7855 EDMONDS BBY. 526-9748



The Original Hershey Bar

More chocolate taste
in every bite.

You need a little sweetness in your life.

Sugar.



ADVERTISING & GRAPHICS

ADVERTISING & GRAPHICS

Neon Products Ltd.

The Neonex Advertising and Graphics company is Canada's largest designer and lessor of electrical and plastic signs. 80% of the products produced by the company are leased on long term contracts.

Neon Products has just completed its most successful year. This success was attributable to a number of reasons: the company's move into complete store fronts and building modernization, providing a new source of revenues for Neon's markets right across Canada; new sales incentives, combined with more management participation in sales, have also contributed to the year's growth.

1968 saw the development by the company's design department of a new form of sales presentation which enables the purchaser or lessor of a complex flashing sign installation to actually see how the completed sign will appear and perform, before actual construction begins. This presentation involves animated movie techniques. It has proven to be an extremely effective aid in the selling and leasing of spectacular types of installations — the most recent example of which is a large General Motors spectacular erected in Montreal.

A large portion of new sign business continues to come from the company's existing customers through satisfaction with the product. Over 75% of Neon's lease customers continue to renew their contracts. Sales personnel in all market areas of Canada are optimistic that present sales prospects indicate the momentum generated during the past months will continue.

Seaboard Advertising, the Vancouver-based outdoor poster and bulletin subsidiary of Neon, has recorded a substantial increase during the year, resulting in part from the expansion and improvement of silk screen processing facilities. Revenue has also been increased through the sale of poster and bulletin space to many local advertisers in Seaboard's exclusive Vancouver and Victoria markets.

The use of multi-face poster installations has been expanded. They include the 7-sided sign shown here on the left, and the 3-sided Roto-Vision sign. Both units are designed to upgrade outdoor advertising with the best possible product available to our customers.

The company creates and erects from coast to coast a large number of spectacular, often animated, types of signs and displays of which this GM plastic face sign is typical.

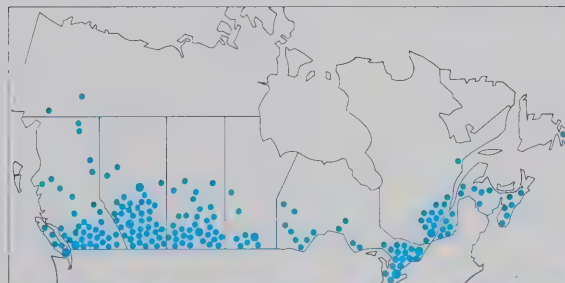
BEFORE



AFTER



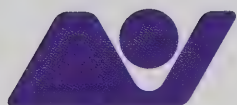
Another new source of revenue is the designing of entire store fronts and building renovations.



Neon Products sales, manufacturing plants and service agents locations across Canada.



All Neon manufacturing plants maintain a complete art staff.



NEONEX INTERNATIONAL LTD. *and Subsidiaries*

FINANCIAL STATEMENTS

STATISTICAL REVIEW [†]

	As Originally Reported			Adjusted for Pooled Acquisitions		
	1968	1967	1966	1968	1967	1966
Sales and Revenue (\$,000)	126,151	53,447	8,709	126,151	107,127	90,631
—increase over previous year	136%	514%	—4%	18%	18%	35%
Earnings before income tax ^{††} (\$,000)	7,312	2,552	1,067	7,312	5,625	5,268
Earnings before extraordinary credits (\$,000) ...	3,582	1,263	507	3,582	2,825	2,645
—increase over previous year	184%	149%	8%	27%	7%	42%
Net Earnings (\$,000)	3,582	1,263	507	3,582	3,001	2,645
—increase over previous year	184%	149%	8%	19%	13%	42%
Cash flow (\$,000)	5,380	1,842	804	5,380	4,674	4,350
Shareholders' equity (\$,000)	21,343	9,953	4,769	21,343	18,103	15,538
Return on equity	18%	13%	11%	18%	18%	18%
Total assets (\$,000)	56,565	21,012	12,081	56,565	49,050	*
Working capital (\$,000)	10,461	4,927	3,445	10,461	9,283	8,337
Current Ratio	1.4	2.0	3.2	1.4	1.5	*
Per Share: ^{†††}						
Earnings before extraordinary credits (\$)60	.36	.23	.60	.47	.45
—increase over previous year	67%	57%	10%	28%	4%	36%
Extraordinary credits (\$)	—	—	—	—	.03	—
Net earnings (\$)60	.36	.23	.60	.50	.45
—increase over previous year	67%	57%	10%	20%	11%	36%
Cash flow (\$)90	.53	.36	.90	.79	.74
Equity at year end (\$)	3.56	2.83	2.16	3.56	3.03	2.66

[†] The 1968 and adjusted 1967 figures are for the calendar year. All other figures cover the original fiscal years of the individual companies.

^{††} After deducting minority interest.

^{†††} Per share data have been adjusted to reflect the two-for-one stock split in March, 1969.

* Not available.

CONSOLIDATED STATEMENT OF EARNINGS

		Year ended	
	December 31 1968	Restated for Poolings of Interests December 31 1967	Previously Reported April 30 1968
SALES AND REVENUE			
Net sales and operating revenue	\$ 125,672,273	106,802,960	53,291,631
Other income	478,484	323,965	155,459
	<u>126,150,757</u>	<u>107,126,925</u>	<u>53,447,090</u>
COSTS AND EXPENSES			
Cost of sales and operating expenses	96,291,858	82,398,525	40,802,525
Selling and administrative expenses	19,704,222	16,469,249	9,145,334
Depreciation — Note 3	1,655,878	1,482,023	583,972
Interest on long-term debt	723,054	719,580	319,264
Other interest	450,328	324,638	23,673
	<u>118,825,340</u>	<u>101,394,015</u>	<u>50,874,768</u>
EARNINGS BEFORE INCOME TAXES.....	7,325,417	5,732,910	2,572,322
INCOME TAXES.....	3,730,000	2,800,000	1,289,059
EARNINGS BEFORE MINORITY INTEREST	3,595,417	2,932,910	1,283,263
MINORITY INTEREST	13,130	108,067	20,480
EARNINGS BEFORE EXTRAORDINARY CREDIT ..	3,582,287	2,824,843	1,262,783
GAIN ON SALE OF TRANSPORT EQUIPMENT, NET OF INCOME TAXES.....	—	175,658	—
NET EARNINGS	<u>\$ 3,582,287</u>	<u>3,000,501</u>	<u>1,262,783</u>
 EARNINGS PER SHARE — Note 12			
EARNINGS BEFORE EXTRAORDINARY CREDIT ..	\$ 0.60	0.47	0.36
EXTRAORDINARY CREDIT	—	0.03	—
NET EARNINGS	<u>\$ 0.60</u>	<u>0.50</u>	<u>0.36</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	December 31 1968	Restated for Poolings of Interests December 31 1967	Previously Reported April 30 1968
Cash	\$ 928,855	2,211,785	382,364
Investments, at cost (market value \$1,500,000)	1,312,576	976,813	986,917
Accounts receivable	13,422,263	11,664,087	3,604,097
Inventories — Note 2	17,911,724	11,914,437	4,644,367
Prepaid expenses	320,855	293,953	157,876
	<u>33,896,273</u>	<u>27,061,075</u>	<u>9,775,621</u>

MORTGAGES AND CONTRACT INSTALMENTS ..	5,535,711	5,382,838	4,219,659
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PROPERTY, PLANT AND EQUIPMENT, LESS DEPRECIATION — Note 3	15,279,037	14,936,775	6,077,713
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DEFERRED CHARGES AND INTANGIBLES, LESS AMORTIZATION — Note 4	1,854,023	1,668,916	938,968
	<u>\$ 56,565,044</u>	<u>49,049,604</u>	<u>21,011,961</u>

See accompanying notes to consolidated financial statements.

LIABILITIES

CURRENT LIABILITIES

	December 31 1968	Restated for Poolings of Interests December 31 1967	Previously Reported April 30 1968
Banks	\$ 7,700,841	4,552,506	413,590
Accounts payable and accruals	12,507,569	10,541,968	3,436,214
Long-term debt — current portion	1,037,530	1,055,497	302,286
Income taxes	2,189,521	1,627,776	696,355
	<u>23,435,461</u>	<u>17,777,747</u>	<u>4,848,445</u>

LONG-TERM DEBT — Note 5	8,555,991	9,654,739	4,076,392
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DEFERRED LIABILITIES

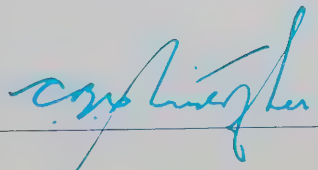
Income taxes — Note 6	2,270,000	2,192,000	1,195,091
Other	844,618	852,094	825,368
	<u>3,114,618</u>	<u>3,044,094</u>	<u>2,020,459</u>

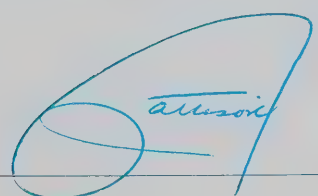
MINORITY INTEREST IN SUBSIDIARIES	115,715	470,280	113,745
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SHAREHOLDERS' EQUITY

Common shares of no par value			
Authorized 14,000,000 shares			
Issued 5,996,274 shares — Notes 7, 8 and 11 ..	4,699,097	4,592,747	2,064,046
Retained earnings — Note 9	16,644,162	13,509,997	7,888,874
	<u>21,343,259</u>	<u>18,102,744</u>	<u>9,952,920</u>
	<u>\$ 56,565,044</u>	<u>49,049,604</u>	<u>21,011,961</u>

On behalf of the Board:


Director


Director

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

		Year ended	
	December 31 1968	Restated for Poolings of Interests December 31 1967	Previously Reported April 30 1968
SOURCE OF FUNDS			
Operations			
Net earnings	\$ 3,582,287	3,000,501	1,262,783
Depreciation and amortization	1,732,823	1,593,087	592,556
Deferred income tax	65,000	80,134	(13,000)
	5,380,110	4,673,722	1,842,339
Common shares issued	106,350	179,962	85,500
Long-term debt issued	465,696	1,504,391	261,000
Sale of property, plant and equipment, excluding gain	571,322	1,061,302	146,982
	6,523,478	7,419,377	2,335,821
APPLICATION OF FUNDS			
Property, plant and equipment purchased	2,569,462	4,124,633	1,505,038
Long-term debt repaid	1,569,444	1,662,649	297,103
Dividends paid	384,173	676,125	548,502
Reduction of minority interest in subsidiaries	418,514	(35,422)	176,757
Other — net	404,401	45,610	45,638
	5,345,994	6,473,595	2,573,038
WORKING CAPITAL INCREASE (DECREASE)	\$ 1,177,484	945,782	(237,217)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

		Year ended	
	December 31 1968	Restated for Poolings of Interests December 31 1967	Previously Reported April 30 1968
RETAINED EARNINGS — BEGINNING OF YEAR — Note 9	\$ 13,509,997	11,185,621	7,357,987
Net earnings for the year	3,582,287	3,000,501	1,262,783
	17,092,284	14,186,122	8,620,770
Dividends paid by Company	205,478	442,889	360,285
Dividends paid by pooled subsidiaries, prior to acquisition	178,695	233,236	188,217
Premium on redemption of preference shares of subsidiary	63,949	—	63,949
Adjustment to conform fiscal period of pooled subsidiary	—	—	119,445
	448,122	676,125	731,896
RETAINED EARNINGS — END OF YEAR — Note 9	\$ 16,644,162	13,509,997	7,888,874

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Neonex International Ltd. and subsidiaries as of December 31, 1968 and the consolidated statements of earnings and retained earnings for the eight months and for the year then ended and the statement of source and application of funds for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Vancouver, British Columbia
February 19, 1969 except as to Note 11
which is as of March 31, 1969

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1968 and the results of their operations for the eight months and for the year then ended and the source and application of their funds for the year ended December 31, 1968, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick, Mitchell & Co.

Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries, after elimination of material inter-company transactions.

The fiscal years of the Company and certain subsidiaries were changed in 1968 to end on December 31. To conform with this change, the financial statements of the Company and its subsidiaries are presented on a calendar year basis.

During 1968 and early 1969 the Company acquired substantially all the outstanding shares of seven groups of companies in exchange for 3,766,828 common shares. These transactions have been accounted for as poolings of interests and accordingly, the consolidated financial statements for the year ended December 31, 1968 include the results of operations of the acquired companies for the full year. The financial information for 1967 has been restated on a comparable basis.

The financial statements for the year ended April 30, 1968, as previously reported, have been reclassified where applicable to conform with the presentation used in the current year.

2. Inventories

Inventories are valued at the lower of cost or net realizable value, and are classified as follows:

	1968	1967
Raw materials and supplies ..	\$ 1,330,221	1,179,968
Work in progress	727,451	794,105
Finished goods	15,854,052	9,940,364
	<u>\$ 17,911,724</u>	<u>11,914,437</u>

3. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation, and consists of the following:

	1968	1967
Land and improvements	\$ 2,752,841	2,680,063
Buildings	9,056,331	8,794,766
Machinery and equipment ...	13,641,088	12,378,680
	<u>25,450,260</u>	<u>23,853,509</u>
Accumulated depreciation ...	10,171,223	8,916,734
	<u>\$ 15,279,037</u>	<u>14,936,775</u>

Depreciation is provided on the diminishing balance method, except for transport equipment which is depreciated on the straight-line method. The following rates have been applied to reduce the cost of assets to residual value over their estimated useful lives:

Buildings	5% to 10%
Transport equipment	8% to 12%
Machinery and equipment ...	20% to 30%

4. Deferred charges and intangibles

Deferred charges and intangibles are stated at cost less amounts amortized, and consist of the following:

	1968	1967
Selling expenses	\$ 950,712	827,330
Financing costs	322,421	318,091
Goodwill and franchises	580,890	523,495
	<u>\$ 1,854,023</u>	<u>1,668,916</u>

Selling expenses and financing costs are amortized over the term of the contracts and debt to which they apply. Goodwill and franchises, with one minor exception, are not amortized.

5. Long-term debt

Long-term debt, excluding the current portion, consists of the following:

	1968	1967
Company		
7½% Promissory Note payable \$250,000 annually to December, 1981	\$ 3,250,000	3,500,000

Subsidiaries

6½% Sinking Fund Secured Debentures, Series A, of Imbrex Limited payable \$75,000 annually to June 1979 with the balance due in June 1980	\$ 1,200,000	1,275,000
Mortgages at rates varying from 5% to 8¾% due at various dates to 1992 ..	3,386,922	3,218,056
Conditional sales agree- ments at varying interest rates due at various dates to 1974	566,580	889,418
Bank and other loans	152,489	772,265
	\$ 8,555,991	9,654,739

Aggregate maturities relating to the above long-term debt for the years ended December 31, 1970 through 1973 are approximately \$865,000, \$720,000, \$820,000 and \$554,000, respectively.

On February 4, 1969, the Company received the proceeds of U.S. \$15,000,000 5¾% Convertible Senior Subordinated Notes due January 31, 1984. These Notes are repayable in annual instalments of U.S. \$2,500,000 commencing January 31, 1979, subject to prior redemption by the Company at a premium of 50%. A portion of the proceeds of these Notes was used to retire the 7½% Promissory Note.

6. Deferred income taxes

Neonex includes in net earnings in respect of leased signs the portion of instalments applicable to the sale value of signs installed during the period less related manufacturing costs and selling commissions. The taxable income in respect of leased signs includes rental income less appropriate capital cost allowances and selling commissions as incurred.

Certain subsidiaries have claimed capital cost allowances for income tax purposes in amounts different from depreciation provided in the accounts.

Accordingly, a provision has been made in the accounts for income taxes that have been deferred as a result of such timing differences. The cumulative provision for deferred income taxes is \$2,663,000 at December 31, 1968. Included in this cumulative amount is \$393,000 which is attributable to the current portion of the lease instalments and has been included with income taxes payable in current liabilities.

7. Stock options

Options for 120,000 shares were granted to officers of the Company during 1968 at prices ranging from \$8.50 to \$13.73 per share (90% of the market value at the dates the options were granted) and expire at varying dates to 1973. These options remained outstanding as of December 31, 1968.

8. Common shares

Changes in common shares outstanding were as follows:

	Shares	Amount
Balance as of		
December 31, 1967.....	2,229,446	\$ 1,677,605
Shares issued for poolings of interests	3,766,828	3,021,492
Balance as of		
December 31, 1968	5,996,274	\$ 4,699,097

During the year 3,766,828 shares were issued in exchange for shares of companies acquired as follows:

Companies Acquired	Number of Shares Issued
Northern Paint Group	280,000
Overwaita Limited	1,003,820
Reimer Group	230,800
Imbrex Limited	812,316
A.N.C. Group	800,000
Associated Helicopters Ltd.	250,000
Travelaire Trailer Mfg. Ltd.	389,892
	3,766,828

These transactions have been accounted for as poolings of interests and accordingly, the value of \$3,021,492 attributed to the shares issued is the stated value of the shares acquired, as recorded by the respective pooled companies.

The Company has reserved 1,340,842 unissued common shares which may be issued under certain circumstances as follows: 120,000 shares for stock options; 139,762 shares as additional consideration for certain pooled companies; and 1,081,080 shares for conversion of the Convertible Senior Subordinated Notes issued in Feb-

(continued)

ruary, 1969. In addition, the Company may be required to issue 240,000 shares under the terms of a preliminary agreement dated January 25, 1969, for a proposed acquisition.

9. Retained earnings

The restated balance of consolidated retained earnings at January 1, 1967 has been increased by \$8,048,212, which is the retained earnings at that date of subsidiaries accounted for as poolings of interests in 1968, less costs related to the acquisition of pooled companies.

As of December 31, 1968, approximately \$8,570,000 of the consolidated retained earnings applicable to subsidiaries is designated surplus for tax purposes. The Company will be required to pay tax at the rate of approximately 50% on any dividends received out of this amount.

The Agreement covering the Convertible Senior Subordinated Notes issued in February, 1969 restricts the payment of dividends by the Company to an amount not exceeding \$2,000,000 plus consolidated net earnings subsequent to January 1, 1969.

10. Commitments and contingent liabilities

Rentals payable in 1968 for retail locations, warehouses and advertising sites leased by the Company and subsidiaries were \$615,091. Average annual minimum rentals under these leases for the periods shown below are as follows:

1969-1973	\$ 547,160
1974-1978	363,128
1979-1983	180,816
1984-1996	47,787

A subsidiary is joined with other defendants, not affiliated with the Company, in an action claiming damages in the amount of \$1,000,000. The Company and its subsidiary have obtained a full indemnity to the extent of any judgment that may be realized. The Company's legal counsel have expressed the opinion that the subsidiary's position can be successfully defended.

11. Subsequent event

In March, 1969, the name of the Company was changed to Neonex International Ltd. from Neon Products of Canada Limited, the authorized capital was increased to 14,000,000 common shares and the outstanding shares were split on a two-for-one basis.

The consolidated financial statements and notes thereto give retroactive effect to these changes.

12. Earnings per share

Per share data are based on the average number of shares outstanding during each year, adjusted retroactively for the stock split described in Note 11 and for shares issued in transactions accounted for as poolings of interests.

The issue of 259,762 shares for contingencies existing as of December 31, 1968 would not have a material effect on earnings per share.

13. Statutory information

The aggregate remuneration paid by the Company to directors and senior officers of the Company for the year ended December 31, 1968 amounted to \$220,899 and for the eight months to December 31, 1968 amounted to \$151,333.

The following information relates to the Company's fiscal period from May 1, 1968 to December 31, 1968:

CONSOLIDATED STATEMENT OF EARNINGS

Sales and revenue

Net sales and operating revenue	\$ 94,183,101
Other income	466,784

94,649,885

Costs and expenses

Cost of sales and operating expenses ..	72,176,906
Selling and administrative expenses...	14,400,911
Depreciation	1,150,722
Interest on long-term debt	492,090
Other interest	329,511

88,550,140

Earnings before income tax	6,099,745
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Income tax	3,086,275
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Earnings before minority interest	3,013,470
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Minority interest	9,748
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Net earnings	\$ <u>3,003,722</u>
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CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings as of April 30, 1968

Company	\$ 7,888,874
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Subsidiaries accounted for as poolings of interests subsequent to April 30, 1968, less costs related to the acquisition of pooled subsidiaries	5,955,056
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13,843,930

Net earnings for the eight months	3,003,722
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Cash dividends including \$25,880 paid by pooled subsidiaries	203,490
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Retained earnings as of December 31, 1968	\$ <u>16,644,162</u>
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BOARD OF DIRECTORS

CHARLES W. BRAZIER, Q.C.,
Partner, Davis, Hossie, Campbell, Brazier, & McLorg,
Vancouver, B.C.

ARTHUR B. CHRISTOPHER,
Chairman of the Board, Nelsons Laundries Limited,
Vancouver, B.C.

MICHAEL D. DINGMAN,
General Partner of Burnham and Company,
International Investment Bankers, New York, N.Y.

HARRY B. DUNBAR, C.A.,
Assistant-to-the-President of Neonex International Ltd.,
Vancouver, B.C.

ROBERT W. HALLIDAY,
Executive Vice-President and Director,
Boise Cascade Corporation, Boise, Idaho.

LAWRENCE HOGUET,
Senior Vice-President and Director,
of Engelhard Minerals and Chemicals
Corporation, Newark, New Jersey.

C. STUART MITTON,
President, Overwaitea Limited, Burnaby, B.C.

JAMES A. PATTISON,
President and Chief Executive Officer,
Neonex International Ltd., Vancouver, B.C.

ROSS J. TURNER,
Executive Vice-President Operations,
Neonex International Ltd., Vancouver, B.C.

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ROSS J. TURNER,
Executive Vice-President Operations

GRIFFITH M. MARSHALL, C.A.,
Vice-President Finance and Administration

GUY J. LEWALL,
Vice-President and Secretary-Treasurer

PEOPLE...

OUR ENVIRONMENT FOR GROWTH

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Vice-President Finance and Administration

GUY J. LEWALL,
Vice-President and Secretary-Treasurer

TRANSFER AGENTS AND REGISTRARS

The Canada Trust Company,
Vancouver, British Columbia, Calgary, Alberta
and Toronto, Ontario

Bankers Trust Company,
New York, N.Y.

AUDITORS

Peat, Marwick, Mitchell & Co.,
Chartered Accountants, 900 West Hastings Street,
Vancouver, B.C.

STOCK EXCHANGES

Toronto and Vancouver Stock Exchanges

EXECUTIVE OFFICES

#1225 Marine Building - 355 Burrard Street,
Vancouver 1, B.C.
Telephone: 688-6764 Area Code 604

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the
Company will be held in the Alberta B. Room of the
Chateau Lacombe, Edmonton, Alberta at 9:30 o'clock
in the forenoon on Thursday, May 22, 1969.



NEONEX INTERNATIONAL LTD.

THE NEONEX NAME

The presentation of this annual report gives us the opportunity to unveil our new company name of Neonex International.

The need for a change of corporate title became readily apparent in the light of the growth that has occurred in the past year, and is continuing to take place.

The word Neon is derived from the Greek meaning "new". Neonex has as one of its major objectives, the exploration and development of new horizons, new potentials and new ideas applied to established operations. The second syllable "ex" in Neonex stands for expansion, both horizontally and vertically. "International" is self-evident of our future aspirations.

